



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

Public Workshop

Draft Amendments to Regulation 3, Fees

Bay Area Air Quality Management District
February 19, 2019



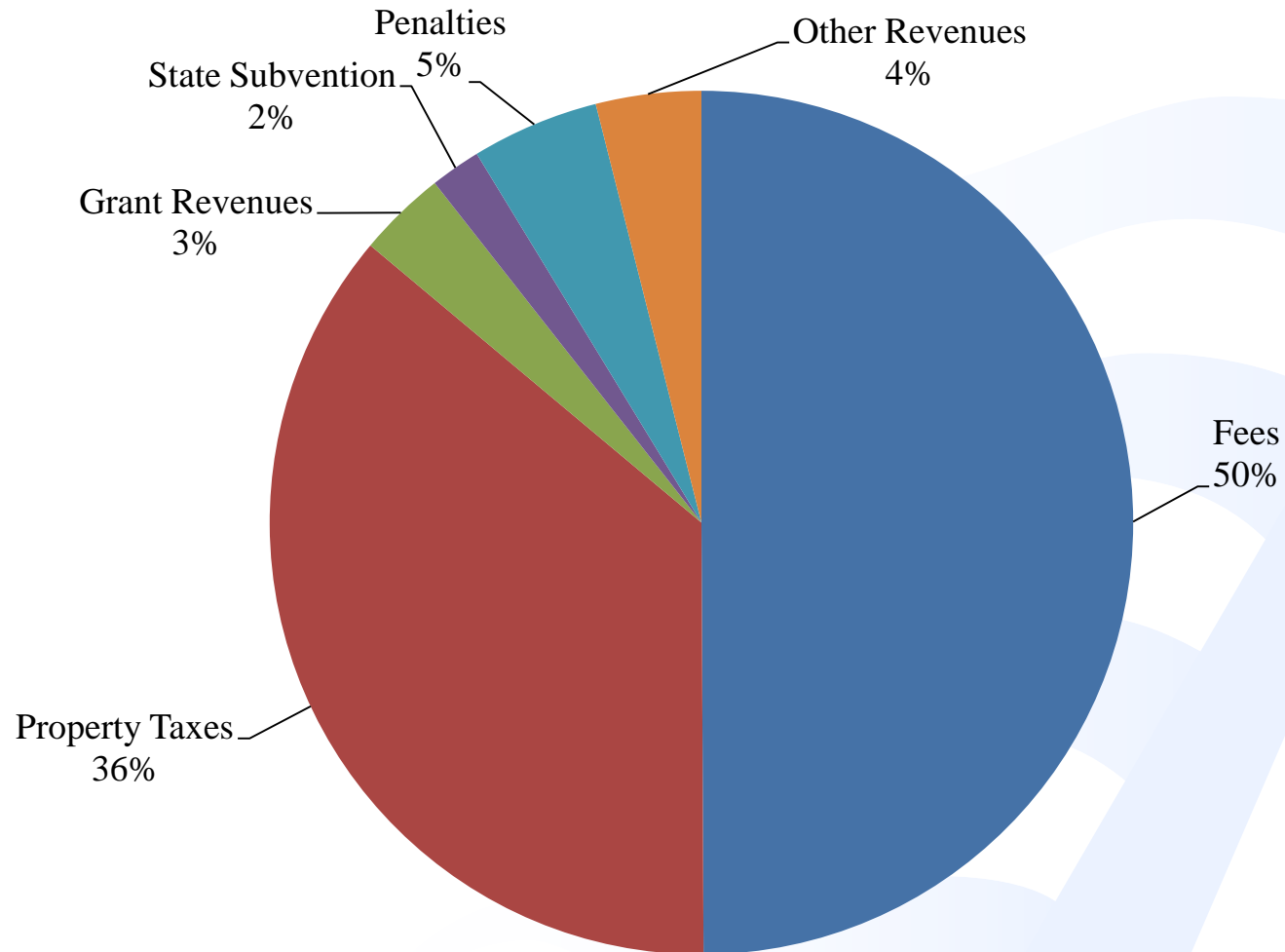
Workshop Agenda

1. Welcome / Introductions
2. Cost Recovery Background
3. Draft Fee Amendments
4. Fee Schedule N (Toxics Inventory Fees)
5. Rule Development Schedule
6. Comments





Revenue Sources - FYE 2018





Cost Recovery Background

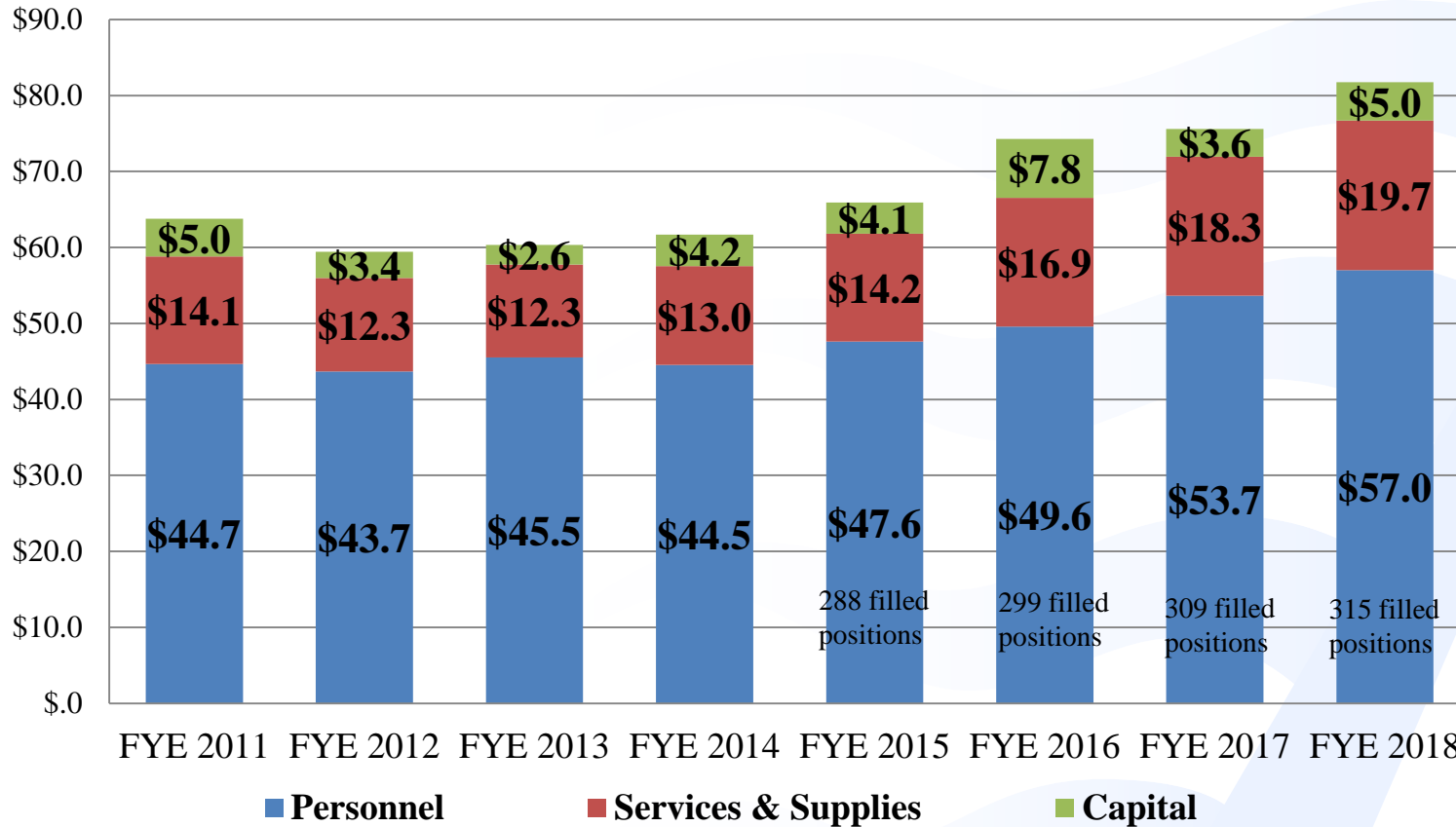
- District has authority to assess fees to recover the reasonable costs of regulating stationary sources
- General policy to fully recover costs of regulatory program activities
- Set goal of increasing cost recovery to 85% over four years FYE 2013 through FYE 2016
- Fee amendments will be made in consideration of cost recovery analyses conducted at the fee schedule-level
- District will implement feasible cost containment measures





Trends in Cost Cutting

Audited General Fund Expenditures (millions)





Trends in Cost Recovery

➤ Fee revenue falls short of overall full cost recovery

- FYE 2011: Cost recovery = 65%
- FYE 2012: Cost recovery = 75%
- FYE 2013: Cost recovery = 80%
- FYE 2014: Cost recovery = 80%
- FYE 2015: Cost recovery = 83%
- FYE 2016: Cost recovery = 82%
- FYE 2017: Cost recovery = 83%
- FYE 2018: Cost recovery = 84%





Proposed Changes to Fee Schedules

Revenue from Fee Schedule	Change in Fees	Fee Schedules
95 – 110% of costs	3.9% increase** (CPI-W*)	B, F, M, V
85 – 94% of costs	7% increase	G3
75 – 84% of costs	8% increase	P, T
50 - 74% of costs	9% increase	E, H, W
Less than 50% of costs	15% increase**	A, G1, G2, G4, K, S

* The annual Consumer Price Index for Bay Area Urban Wage Earners and Clerical Workers (CPI-W) increase from 2017 to 2018.

** 2018 Matrix Consulting Group Cost Recovery & Containment Study recommendations.





Proposed Changes to Fee Schedules

➤ Fee Schedules with 3.9% increase

- Schedule B: Combustion of Fuels
- Schedule F: Misc. Sources (storage silos, abrasive blasting)
- Schedule M: Major Stationary Source Fees
- Schedule V: Open Burning

➤ Fee Schedule with 6% increase

- Schedule D: Gasoline Transfer at Gasoline Dispensing Facilities, Bulk Plants & Terminals

➤ Fee Schedules with 7% increase

- Schedule G-3: Misc. Sources (metal melting, cracking units)

➤ Fee Schedules with 8% increase

- Schedule P: Major Facility Review Fees
- Schedule T: Greenhouse Gas Fees





Proposed Changes to Fee Schedules

➤ Fee Schedules with 9% increase

- Schedule E: Solvent Evaporating Sources
- Schedule H: Semiconductor and Related Operations
- Schedule W: Petroleum Refining Emissions Tracking Fees

➤ Fee Schedules with 15% increase

- Schedule A: Hearing Board Fees
- Schedule G-1: Misc. Sources (glass manufacturing, soil remediation)
- Schedule G-2: Misc. Sources (asphaltic concrete, furnaces)
- Schedule G-4: Misc. Sources (cement kilns, sulfur removal & coking units, acid manufacturing)
- Schedule K: Solid Waste Disposal Sites
- Schedule S: Naturally Occurring Asbestos Operations



Other Proposed Amendments

Schedule E: Solvent Evaporating Sources

- Revisions to clarify when the minimum and maximum fees apply for each source.

Schedule L: Asbestos Operations

- Delete the fee specific to mastic removal by mechanical buffers so as to assess fees for such work at the same rate as for other regulated asbestos containing material removal work.

Schedule N: Toxic Inventory Fees

- Revise Schedule N to recover the costs for AB 2588 fees to be paid to the California Air Resources Board and for staff to conduct AB 2588 work.

Schedule S: Naturally Occurring Asbestos Operation

- Include a \$325 fee in Schedule S to recover the costs for Asbestos Dust Mitigation Plans amendments.



Other Proposed Amendments (cont'd)

- Specific fees in Regulation 3 proposed to be increased 3.9% based on the CPI-W (filing fees, banking fees, public notice fees, exemption fee, permit renewal processing fees, etc.)
- Revise Section 3-302 to specify that for those applicants that qualify for both the Small Business Discount (50%) and Green Business Discount (10%), only the 50% higher discount shall be applied.
- Revise Section 3-304, Alteration, to clarify that the risk assessment fee shall only be charged when the alteration required a health risk assessment.



Other Proposed Amendments (cont'd)

- Revise Section 3-311 to align the current rule language with established Air District practice for applying banking fees to emission reduction credit transactions.
- Add Section 3-343 to recover the Air District's costs for air dispersion modeling done to meet a District regulatory requirement (e.g., for demonstrating compliance with Regulation 9-2 Hydrogen Sulfide requirements, Regulation 2-2-308 NAAQS Protection Requirement).
- Revise Section 3-405.5 to reduce additional late fees charged to invoices for registration and other fees which are more than 30 days late from 50% to 25%.



Proposed Schedule N Revisions

- Schedule N fees are to recover the Air District's costs for Assembly Bill 2588 fees (Air Toxics Hot Spots program) to be paid to the California Air Resources Board and for staff to conduct the Air District's AB2588 work.
- For non-gasoline station facilities, the fee will be calculated by multiplying the weighted toxic inventory emissions by a factor of \$0.80 per weighted pound per year.
- Gasoline stations will continue to be charged a fee of \$5 for each nozzle.



Impact on Large Facilities: Petroleum Refineries

	Annual % Permit Fee Increase/Decrease (Fiscal Year Ending)					2019 Permit Fee for 16 months*
	2016	2017	2018	2019*	2020 Projected	
Chevron	9.3	14.7	1.2	-0.5	12.3	\$4.9 MM
Shell	5.8	15.0	10.0	5.6	12.0	\$4.6 MM
Phillips 66	3.4	14.6	2.2	4.2	8.8	\$2.3 MM
Valero	11.9	15.0	2.4	-0.2	13.8	\$2.5 MM
Tesoro	15.0	13.3	-1.8	15	2.2	\$3.1 MM

*Permits to Operate extended from 8/1/18 to 12/1/2019 (16 months) to allow use of Rule 12-15 emission inventories to calculate emissions and permit renewal fees.



Impact on Large Facilities: Power Plants

	Annual % Permit Fee Increase/Decrease (Fiscal Year Ending)					2019 Permit Fee
	2016	2017	2018	2019	2020 Projected	
Delta Energy	12.6	4.8	-7.0	-13.5	5.8	\$ 391,015
Los Medanos	15.0	4.8	7.3	16.2	6.9	\$ 435,588
Gateway	15.0	4.5	-7.6	12.0	6.0	\$ 351,311
Crockett Cogen	11.5	7.9	2.5	0	5.8	\$ 243,423





Impact on Small Businesses

➤ Proposed FYE 2019 fee increases:

Facility Type	Current Fees (prior to change)	Proposed Fee Increase	Total Fees (post change)
Gas Station	\$2,820	\$169	\$2,989
Dry Cleaner (permitted)	\$518	\$0	\$518
Dry Cleaner (registered)	\$259	\$0	\$259
Auto Body Shop	\$532	\$0	\$532
Back-up Generator	\$274	\$11	\$285





Rule Development Schedule

- **February 19, 2019**
 - Public workshop
- **March 21, 2019**
 - Written workshop comments due
- **March 22, 2019**
 - Budget & Finance Committee briefing
- **April 17, 2019 (tentative)**
 - Board of Directors first public hearing to receive testimony only
- **May 9, 2019**
 - Written public hearing comments due
- **June 5, 2019**
 - Board of Directors second public hearing to consider adoption
- **July 1, 2019**
 - Proposed effective date of fee amendments





Comments

➤ Please provide comments by **Wednesday, March 21, 2018** to:

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